NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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TREASURER ANGELIDES ANNOUNCES NEW, ACCELERATED SCHEDULE FOR SELLING STATE'S ECONOMIC RECOVERY BONDS

Angelides Says Favorable Market Conditions, Other Factors Mean First Sales of $15 Billion Bond Package Are Slated to Go to Market a Month Ahead of Schedule

SACRAMENTO, CA – California State Treasurer Phil Angelides announced today a new, accelerated schedule for the first sales of the State's Economic Recovery Bonds, or ERBs, saying the first $6 billion - $7 billion of bonds are slated to be sold in early May – a full month ahead of the original schedule.

According to the new schedule, the pricing for the first series of ERBs – expected to be $6 billion - $7 billion – will occur on May 4, followed by the closing of the sale within a week. The pricing and closing of the next series of ERBs – expected to be $5 billion - $6 billion – is now scheduled for the period of May 24-June 15.

The Treasurer, who laid out an overview of the financing plan, pointed out that proceeds from the planned May 4 sale of the first series of ERBs is expected to be sufficient – when combined with other cash reserves – for the State to pay off two large, short-term notes due in June: $11 billion of Revenue Anticipation Warrants (RAWs) due on June 16, and $3 billion of Revenue Anticipation Notes (RANs) due on June 23.

On March 3, one day after voters approved the $15 billion ERBs, Angelides had originally announced a timetable that called for the Treasurer¹s Office to issue the ERBs in June. Angelides noted today that a variety of factors contributed to his being able to accelerate the timetable for the sale of the ERBs, including the fact that financial institutions and bond insurers have expressed strong interest in the bonds. In addition, the working group of state officials preparing the bonds for sale – including representatives of his own Treasurer's Office, the Department of Finance, the State Controller's Office and the Attorney General's Office – have made substantial progress in completing many of the preliminary steps necessary for the actual sale, including consulting with the market on the prospects for a successful sale. At the same time, the Treasurer's Office wants to take advantage of the current market environment of favorable interest rates for General Obligations (GO) bonds.

The ERBs are backed by an irrevocable pledge of revenues from a quarter-cent state sales tax. And, as GO bonds, they also have a pledge of the State's full faith and credit.

The ERB Finance Committee is scheduled to meet April 20 to officially approve the sale.

KEY DATES REGARDING
$15 BILLION ECONOMIC RECOVERY BONDS

March 2	Voters approve Propositions 57 and 58
April 10	Secretary of State certifies election results
April 20	Economic Recovery Bond Finance Committee meets to approve Bonds
May 4	Pricing first series of Economic Recovery Bonds – $6 billion - $7 billion (closing within one week)
May 24 – June 15	Pricing and closing of additional series of Economic Recovery Bonds – $5 billion - $6 billion
June 16	Maturity date of RAWs ($11 billion)
June 23	Maturity date of RANs ($3 billion)

OVERVIEW OF FINANCING

- **The Economic Recovery Bonds (ERBs) represent California's first bonds secured by a statewide sales tax. The ERBs are backed by an irrevocable pledge of revenues from a quarter-cent state sales tax, which goes into effect July 1, 2004. The ERBs also have a pledge of the State's full faith and credit, but there is no expectation of any reliance on the General Fund.**
  - **It is a one-time program capped at $15 billion**
  - **The Governor's proposed FY 2004-05 budget includes $12.3 billion of ERBs**

- **The anticipated bond structure will include a variety of debt instruments**
  - **Fixed-rate tax-exempt debt (insured and uninsured)**
  - **Variable rate tax-exempt debt**
    - ✓ **Variable rate demand bonds (backed by letters of credit)**
    - ✓ **Variable rate demand bonds (backed by bond insurance and liquidity facilities)**
    - ✓ **Auction rate bonds (backed by bond insurance)**

- **The ERBs are expected to have a maximum nominal maturity of 18 years - potential redemptions from available revenues can be expected to significantly reduce the actual final maturity under a variety of circumstances. The 18-year nominal maturity is based on an assumed sales tax compound annual growth rate of only 2%, a conservative assumption needed to secure high-quality ratings.**

- **Other scenarios result in significantly faster retirement, consistent with legislative intent. For instance, if sales taxes grow at the historical annual average of approximately 5% and if $5 billion is transferred from the new "rainy day fund" to retire the ERBs, as specified by Proposition 58, the ERBs will be fully retired in 2013, 9 ½ years after issuance.**